Fourteenth Loksabha

Session : 5
Date : 30-08-2005
Participants : Chidambaram Shri P.

Title : Personal explanation made by Shri P. Chidambaram regarding certain remarks made against him in giving relaxation to appointments of his wife as a councel by Central Board of Direct Taxes (CBDT).

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Mr. Speaker, Sir, … (*Interruptions*)

MR. SPEAKER: Let us hear him. You have raised an important matter. According to you, he is in the dock. He is entitled to a hearing.

SHRI P. CHIDAMBARAM: Sir, in response to the observations made by hon. Members and in obedience to your direction, I wish to offer an explanation under Rule 357 of the Rules of Procedure and Conduct of Business.

Reports have appeared in the media on a matter relating to the engagement of Shrimati Nalini Chidambaram as Special Counsel. The Central Board of Direct Taxes issued a statement dated 26th August, 2005 on the circumstances under which Shrimati Pushya Sitaraman, Senior Standing Counsel of the IT Department, Chennai, had engaged Shrimati Nalini Chidambaram as Special Counsel in the matter with the approval of the Board. The CBDT has stated that proposals for engagement of counsel are not submitted to the Finance Minister and in this case also, the file was not put up to the Finance Minister. I may add that when the CBDT engaged me in January, 2004, in the same case, the file was not put up to the then Finance Minister. The CBDT has admitted that it was a lapse on their part not to have informed me of the proposed engagement of Shrimati Chidambaram before they granted approval for the same. The Board has also expressed regret.

प्रो. विजय कुमार मल्होत्रा आप इसे जस्टीफाई कर रहे हैं । ...(व्यवधान)

अध्यक्ष महोदय : आप इसे छोड़िये।

...(व्यवधान)

SHRI P. CHIDAMBARAM: Shrimati Nalini Chidambaram also issued a statement dated 26th August 2005 narrating the circumstances under which Shrimati Pushya Sitaraman persuaded her to accept the engagement. She said that she had done so out of a sense of obligation to a sister lawyer. She also pointed out that since 1996, she has voluntarily refrained from appearing for or against the Department, and that this was the sole case in which she had been engaged as a Special Counsel.

Shrimati Pushya Sitaraman, in her statement dated 26th August 2005, confirmed that it was she who had persuaded Shrimati Chidambaram to accept the engagement.

Sir, these statements, I submit, contain the entire facts.

Some remarks have been made through the media on the merits of the case. The case involved a pure question of law – whether expenditure on replacement of machinery would be accounted as revenue expenditure or capital expenditure. The question was decided by the Supreme Court as early as in 1967. The Department seems to have decided to re-agitate the matter. The Department lost the case before the Commissioners' of Income Tax (Appeal), again before Income Tax Appellate Tribunal in 1997 and now before the Madras High Court[pkp7].

A few weeks ago, the Department has sent the papers to the Ministry of Law for filing an appeal to the Supreme Court and appeals are being filed. The principle of law laid down in the case does not apply to textile mills alone, but to all companies and firms, for example, paper mills, steel mills, sugar mills etc. which replace machinery.

An insinuation has been made that one Sri Karpagambal Mills Limited, Cholapuram was also a party to the case in issue. The insinuation is totally false. Forty-three mills were involved in the case before the Madras High Court and Sri Karpagambal

Mills does not figure in the list of 43 mills disposed of by the Madras High Court. The CBDT has clarified this point also.

I wish to make it clear that I had no knowledge of the matter at any stage during the relevant period. It came to my notice, for the first time, only after the matter was attempted to be raised in the Rajya Sabha. I believe that none of my respected colleagues in the House would seriously think … *(Interruptions)* I believe that none of my respected colleagues in the House would seriously think that had the matter been brought to my notice, I would have allowed it to proceed an inch further. Let me make it clear, categorically and respectfully, that had the matter been brought to my notice at any time earlier, I would have ensured that the proposal to engage Shrimati Chidambaram was nipped in the bud and not processed any further. … (*Interruptions*)

MR. SPEAKER: Okay, now Shri Ananth Kumar.

PROF. VIJAY KUMAR MALHOTRA : Sir, I will take a minute. मंत्री जी का यह कहना है कि मुझे इसके बारे में मालूम नहीं था और मेरी कोई जानकारी नहीं थी। मंत्री जी की इस प्रकार की जिम्मेदारी, मैं समझता हूं कि किसी भी निर्वाचित मंत्री की निश्चित तौर पर जिम्मेदारी रहती है, हम इससे बिल्कुल संतुट नहीं हैं। उनको इस बात पर इस्तीफा देना चाहिए था। हम इसके विरोध में वॉक-आउट करते हैं। …(व्यवधान)

11.42 hrs.

(At this stage, Prof. Vijay Kumar Malhotra and some other hon. Members left the House)

अध्यक्ष महोदय : आप लोग मेहरबानी करके शांति से बैठे रहिए। आपको भी बुलाएंगे।

…(व्यवधान)

MR. SPEAKER: Shri Sarbananda Sonowal – he has joined the walk out!

Dr. Manoj.